

## Message Text

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ORIGIN INR-07

INFO OCT-01 NEA-10 ISO-00 SSM-03 IGA-02 CIAE-00  
DODE-00 PM-04 H-01 L-03 NSAE-00 NSC-05 PA-01  
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OMB-01 EUR-12 EB-08 TRSE-00 FEA-01 CEA-01 COME-00  
DLOS-09 /115 R

DRAFTED BY INR/RNA/NE:AAVACCARO

APPROVED BY INR/RNA:DGNEWTON

SSM-JTMCANDREW

-----092023Z 011587 /53

R 082132Z APR 77  
FM SECSTATE WASHDC  
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S E C R E T STATE 079474

E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 291 - APRIL 8, 1977

1. ISRAEL. THE ELECTION CAMPAIGN HAS BEEN THROWN INTO CONFUSION BY RABIN'S SURPRISE ANNOUNCEMENT YESTERDAY THAT HE IS WITHDRAWING HIS NAME AS THE LABOR ALIGNMENT CANDIDATE FOR PRIME MINISTER. RABIN ALSO STATED THAT HE WOULD ATTEMPT TO RESIGN AS PRIME MINISTER OF THE CARETAKER GOVERNMENT, BUT ISRAELI LAW MAKES THIS HIGHLY UNLIKELY. BEGIN, LEADER OF LIKUD, THE PRINCIPAL OPPOSITION COALITION, IS REPORTED TO BE VERY SERIOUSLY ILL AND IN INTENSIVE CARE.

2. THE IMPACT OF THESE EVENTS ON THE ELECTION IS AS YET UNCLEAR, BUT THE FOLLOWING SEEM LIKELY:

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--IF PERES, AS SEEMS PROBABLE, RECEIVES LABOR'S PRIME MINISTERIAL NOMINATION, THAT SHOULD LIMIT THE IMPACT OF THE RABIN SCANDAL;

--YADIN'S DEMOCRATIC MOVEMENT FOR CHANGE (DMC) IS LIKELY TO BE A PRINCIPAL BENEFICIARY OF LABOR'S DIFFICULTIES;

--LIDUD MAY ALSO BENEFIT FROM LABOR'S DIFFICULTIES.

3. RABIN'S UNPRECEDENTED WITHDRAWAL CASTS A PALL OVER

HIS PARTY'S PROSPECTS IN THE MAY 17 ELECTION AND POSSIBLY COMPLICATES THE PROSPECTS FOR PEACE NEGOTIATIONS. HOWEVER, RABIN HAS NOT RESIGNED AS PRIME MINISTER. UNDER ISRAELI LAW, NO MINISTER IS PERMITTED TO RESIGN FROM A CARETAKER GOVERNMENT. HE HAS SAID THAT HE WILL TRY TO RESIGN AS SOON AS POSSIBLE. SHOULD HE SUCCEED IN LEAVING THE CARETAKER GOVERNMENT, DEPUTY PRIME MINISTER ALLON WOULD PRESUMABLY BE NAMED TO ACT IN HIS PLACE.

4. WHAT IS CLEAR IS THAT RABIN HAS TURNED IN HIS MANDATE AS THE HEAD OF LABOR'S ELECTION LIST. UNLESS THE PARTY NOW RESORTS TO SOME NEW PROCEDURE, A SPECIALLY AND HASTILY CONVENED MEETING OF THE PARTY CENTRAL COMMITTEE WILL HAVE TO NAME A NEW PARTY LEADER AND PRIME MINISTERIAL CANDIDATE. (THE PARTY MUST FILE ITS LIST OF KNESSET CANDIDATES IN RANK ORDER BY TUESDAY, APRIL 12.)

5. PERES, WHO WAS ONLY BARELY DEFEATED BY RABIN IN FEBRUARY IN THE CONTEST FOR THE PRIME MINISTERIAL NOMINATION, IS THE MOST LIKELY CANDIDATE TO SUCCEED RABIN. RABIN'S SUPPORTERS MAY TRY, HOWEVER, TO BACK SOMEONE ELSE--SUCH AS JUSTICE MINISTER ZADOK FROM THE MAPAI FACTION, WHICH HAS HERETOFORE PRODUCED ALL OF ISRAEL'S PRIME MINISTERS. THE NAMES OF FORMER FOREIGN MINISTER EBAN AND FORMER PRIME MINISTER MEIR HAVE  
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ALSO BEEN MENTIONED, BUT WE BELIEVE THAT THE CHOICE WILL BE BETWEEN PERES AND ZADOK, AND THAT PERES HAS THE BEST CHANCE.

6. THE UNPRECEDENTED RESIGNATION OF ISRAEL'S FIFTH PRIME MINISTER HAS DEALT LABOR A HEAVY BLOW, BUT IT COULD STILL OUTPOLL LIKUD AND YADIN'S DMC. LIKUD REMAINS ANATHEMA TO MANY IN ISRAEL, AND ITS LEADER, BEGIN, IS HOSPITALIZED WITH A SERIOUS HEART ATTACK. YADIN IS AN UNTESTED NOVICE, ALTHOUGH HIS PARTY HAS BEEN DOING WELL IN PUBLIC OPINION POLLS.

7. PERES IS UNPOPULAR WITH MANY IN LABOR AND ITS COALITION PARTNER, MAPAM, BUT HE IS MORE POPULAR AMONG THE PUBLIC THAN RABIN. MOREOVER, PERES HAS STRONG SUPPORT IN THE CENTRAL COMMITTEE. FINALLY, HE IS FREE OF THE TAINT OF CORRUPTION THAT HAS MARKED RABIN AND MANY OF HIS ASSOCIATES.

8. IF PERES IS CHOSEN AS THE LABOR CANDIDATE, AND IF LABOR IS ABLE TO FORM THE NEXT GOVERNMENT, PERES' ACCESSION TO OFFICE WOULD INSURE THAT THE NATIONAL RELIGIOUS PARTY WOULD BE A KEY COMPONENT OF THE NEXT COALITION. PERES WOULD EVEN BE COMFORTABLE WITH LIKUD

IN HIS GOVERNMENT. FINALLY, HE MIGHT ORGANIZE A GOVERNMENT OF NATIONAL UNITY, ESPECIALLY IF YADIN MAKES TOO MANY DEMANDS ON LABOR.

9. YADIN, AS THE "MR. CLEAN" LEADER OF A NEW REFORM PARTY, OUGHT TO BE THE BIGGEST GAINER, BUT WITHIN THE LAST WEEK OR TWO, SOME QUESTIONS HAVE BEEN RAISED ABOUT HIS OWN CONDUCT. WHETHER THESE QUESTIONS BECOME A FACTOR IN THE CAMPAIGN OR NOT, IF MAY WELL TURN OUT THAT THE LABOR PARTY IS SO WELL ENTRENCHED INSTITUTIONALLY AND PSYCHOLOGICALLY THAT IT WILL BE ABLE TO SURMOUNT ITS LATEST DIFFICULTIES. (CONFIDENTIAL)

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10. LEBANON. THE STRATEGIC VILLAGE OF KIYAM WAS CAPTURED BY PALESTINIAN FORCES YESTERDAY. RIGHTIST MUSLIMS FLED FROM THE TOWN TO THE ISRAELI BORDER THREE MILES AWAY. WITH THE CHRISTIAN LOSS OF KIYAM, THE PALESTINIANS NOW CONTROL MORE TERRITORY IN THAT AREA THAN THEY DID BEFORE THE CHRISTIAN OFFENSIVE. THEY PROBABLY NOW PLAN TO TRY TO TAKE THE LARGE RIGHTIST TOWN OF MARJA-YOUN, WHERE THEIR FORCES HAVE ALREADY GAINED A FOOTHOLD. DEVELOPMENTS IN THE SOUTH MUST BE PARTICULARLY WORRISOME TO THE PHALANGE, BUT THERE ARE NO INDICATIONS AT PRESENT THAT IT INTENDS TO TRANSFER FORCES TO THE SOUTH.

11. EMBASSY BEIRUT REPORTED THAT SHAMOUN AND THE NEW COMMANDER OF THE LEBANESE ARMY, VICTOR KHOURY, MET ON APRIL 3. SHAMOUN ORIGINALLY OPPOSED SARKIS' RE-PLACEMENT OF HANNA SAID WITH KHOURY, BUT TOLD THE PRESS AFTERWARDS THAT HE AND KHOURY HAD AGREED ON THE NEED TO ESTABLISH A CHRISTIAN-MUSLIM COMMISSION TO STUDY WAYS OF REBUILDING THE LEBANESE ARMY. (CONFIDENTIAL)

12. EGYPT. THE CAIRO PRESS CONTINUES TO UNANIMOUSLY DESCRIBE SADAT'S US VISIT AS A "SUCCESS". EMBASSY CAIRO NOTED THAT THIS WIDESPREAD, POSITIVE PRESS COVERAGE APPEARS TO SERVE SEVERAL PURPOSES FOR THE EGYPTIAN GOVERNMENT.

--IT HEARTENS THE EGYPTIAN MILITARY WITH THE HOPE OF US ARMS ASSISTANCE;

--SADAT'S "INSISTENCE ON PLO PARTICIPATION AT GENEVA PLAYS TO THE PALESTINIAN AUDIENCE, AND

--HIS FIRMNESS ON THE NEED FOR A FULL ISRAELI WITHDRAWAL SEEMS DESIGNED TO COUNTER THE "DEFENSIBLE BORDERS"

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AGREEMENT.

ON THE OTHER HAND SUCH PRESS TREATMENT SERVES TO RAISE FURTHER LOCAL EXPECTATIONS, THUS PUTTING SADAT'S "US CONNECTION" AND HIS PERSONAL PRESTIGE EVEN MORE ON THE LINE (LIMITED OFFICIAL USE)

13. PALESTINIANS. PLO CHIEF ARAFAT WAS RECEIVED BY BREZHNEV IN MOSCOW YESTERDAY. THE MEETING, THE FIRST EVER BETWEEN THE TWO LEADERS ACKNOWLEDGED PUBLICLY BY THE SOVIETS, WAS CLEARLY DESIGNED TO DEMONSTRATE HEIGHTENED SOVIET BACKING FOR THE PLO. RECENT SOVIET COMMENTARY ON THE PALESTINIANS HAS BEEN TOUTING THE PNC MEETING LAST MONTH AS A RESOUNDING VICTORY FOR ARAFAT, AND YESTERDAY'S "FRIENDLY" CONVERSATION PUTS THE HIGHEST POSSIBLE SOVIET IMPRIMATUR ON ARAFAT'S LEADERSHIP. (LIMITED OFFICIAL USE)

14. OIL. THE TWO-TIER OIL PRICE STRUCTURE IS LIKELY TO PERSIST BEYOND MID-YEAR BECAUSE BOTH SIDES WILL FIND IT DIFFICULT TO COMPROMISE, HAVING PUT THEIR PRESTIGE ON THE LINE. DEMAND IS EXPECTED TO CONTINUE TO EXPAND INTO THE THIRD QUARTER, AND IF IT IS AS STRONG AS EXPECTED AT MID-YEAR, IRAN AND MOST OTHER UPPER-TIER OPEC COUNTRIES WILL PROBABLY GO AHEAD WITH THE ADDITIONAL FIVE PERCENT INCREASE SCHEDULED FOR JULY.

15. IF THE TWO-TIER SYSTEM PERSISTS UNTIL THAT TIME, THE SAUDIS WILL BE IN A GOOD BARGAINING POSITION ON PRICING BECAUSE OF THEIR CONTINUED INCREASE IN PRODUCTION. BY DECEMBER, IRAN WOULD HAVE BEEN FORCED TO TAKE THE BIGGEST REDUCTION IN OUTPUT AND COULD FIND ITSELF IN A SEVERE REVENUE SQUEEZE. THE KUWAITIS WOULD PROBABLY HAVE HAD TO CUT PRODUCTION SIGNIFICANTLY, WHICH WOULD BE PAINFUL FOR THEM. IRAQ WOULD PROBABLY BE ABLE TO AVOID ANY SIGNIFICANT DROP IN PRODUCTION,

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BOTH BECAUSE LESS OF ITS OIL IS OF THE AFFECTED QUALITY (HEAVY) AND BECAUSE OF ITS CUSTOMARY DISCOUNTING. (CONFIDENTIAL)

16. LIBYA. QADHAFI'S APRIL 2 EXECUTION OF 22 LIBYAN MILITARY OFFICERS ACCUSED OF PARTICIPATING IN AN AUGUST 1975 PLOT AGAINST HIM HAVE INTENSIFIED INTERNAL DISAFFECTION. THE WIDESPREAD SHOCK AND ANGER IN LIBYA (ESPECIALLY IN CYRENAICA) COULD LEAD TO SOME FORM OF CIVIL DISTURBANCE, BUT WE DO NOT AT THIS POINT EXPECT A MASS UPRISENG OR AN ATTEMPT TO OVERTHROW THE REGIME. INTERNAL OPPOSITION IS FRAGMENTED, ITS ELEMENTS ARE POORLY COORDINATED, AND IT LACKS A RECOGNIZED LEADER.

17. THE SURVIVAL OF THE QADHAFI REGIME WILL DEPEND INCREASINGLY ON REPRESSION AND ON THE LOYALTY OF KEY UNITS OF THE COUNTRY'S SECURITY FORCES. MANY OFFICERS ARE REPORTEDLY ALIENATED, AND QADHAFI MAY THEREFORE BE FORCED TO RELY ON TRIBAL ELEMENTS LOYAL TO HIM AND POSSIBLY FOREIGN BODY-GUARDS FOR HIS PERSONAL SECURITY.

18. EGYPT, THOUGH IT HAS NOT YET BEEN ABLE TO TOPPLE THE QADHAFI REGIME, HAS A NETWORK OF AGENTS IN LIBYA CAPABLE OF SUPPORTING A CAMPAIGN OF SABOTAGE AND SUB-VERSION. THE EGYPTIANS HAVE BEEN LOOKING, IN VAIN SO FAR, FOR AN INTERNAL LIBYAN ORGANIZATION TO SUPPORT AND, GIVEN SOME FORM OF UPRISING, COULD BE EXPECTED TO INTERVENE IN SOME MANNER.

19. THE CONTINENTAL SHELF DISPUTE BETWEEN LIBYA AND TUNISIA HAS INTENSIFIED IN RECENT WEEKS. THE TWO SIDES VIEW THEIR RESPECTIVE CLAIMS AS VITAL AND HAVE STATED A WILLINGNESS TO DEFEND THEIR INTERESTS BY FORCE. A SERIOUS INCIDENT COULD, THEREFORE, OCCUR BETWEEN THE NAVIES OF THE TWO COUNTRIES, ALTHOUGH NEITHER SIDE

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APPEARS TO BE SEEKING A CONFRONTATION.

20. IN THE EVENT OF AN INCIDENT, TUNISIA WOULD REQUEST AND EXPECT STRONG US BACKING. AT A MINIMUM, TUNISIA'S REQUEST WOULD INCLUDE DIPLOMATIC SUPPORT IN INTERNATIONAL FORUMS (ESPECIALLY THE SECURITY COUNCIL) AND LOBBYING WITH ITALY AND FRANCE. TUNISIA COULD ALSO REQUEST INCREASED MILITARY ASSISTANCE AND, IF THE SITUATION WARRANTED, SEEK VISITS OF US NAVAL VESSELS TO THE AREA.

21. THE LIBYANS ARE CERTAIN THAT TUNISIA WOULD NOT BE STANDING UP TO THEM WITHOUT US BACKING (AND PERHAPS THAT OF EGYPT). QADHAFI'S INSTINCT FOR SURVIVAL HAS THEREFORE DICTATED PRUDENCE THUS FAR, BUT RECENT BELICOSE STATEMENTS BY QADHAFI TO THE TUNISIAN FOREIGN MINISTER HAVE REVEALED FRUSTRATION AND PERHAPS AN IN-

CREASED WILLINGNESS TO RISK A MILITARY INCIDENT FOR REASONS OF PRICE AND ECONOMIC INTEREST. (SECRET)

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTELLIGENCE ASSESSMENTS, POLITICAL SUMMARIES  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE079474  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** INR/RNA/NE:AAVACCARO  
**Enclosure:** n/a  
**Executive Order:** 11652 XGDS-2  
**Errors:** n/a  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Status:** NATIVE  
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**TAGS:** PINR, PFOR, EG, IS, XF  
**To:** SINAI  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009